

WEST HAVEN SPECIAL SERVICE DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2011

**WEST HAVEN SPECIAL SERVICE DISTRICT
YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Haven Special Service District

We have audited the accompanying financial statements of the business-type activities of West Haven Special Service District, Utah, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Haven Special Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of West Haven Special Service District, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of West Haven Special Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Haven Special Service District's financial statements as a whole. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wood Richards & Associates, PC

Ogden, UT

December 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST HAVEN SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2011

INTRODUCTION

The following is a discussion and analysis of West Haven Special Service District's financial performance and activities for the year ending June 30, 2011.

HIGHLIGHTS

During the year ending June 30, 2011, the District maintained a strong revenue base by collecting more service fees than the cost of operations. All impact fees continue to be used for capital improvements needed to support the continued growth and debt service on bonds used to construct the system.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the District's Basic Financial Statements. The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States, promulgated by the Government Accounting Standards Board. The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

The District's financial statements are comprised of three basic statements. The Statement of Net Assets shows the overall net assets of the District. Increases and decreases in net assets are one indicator of the District's overall financial condition. The Statement of Revenues, Expenses, and Changes in Fund Net Assets identify functions of the District that are intended to recover all or most of their costs primarily through user fees and charges (business-type activities). The Statement of Cash Flows reports cash flows in four categories or activities - operating, capital and related financing, non-capital financing and investing.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The largest component of the District's net assets, 69.2%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

WEST HAVEN SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2011

Restricted net assets comprise 10.3% of total net assets and are subject to external restrictions on how they may be used. The remaining 20.5% of net assets is unrestricted and may be used at the District's discretion to meet its ongoing obligations to citizens and creditors.

Business-Type Activities

The business-type activities are summarized as follows:

| | June 30, 2011 | June 30, 2010 |
|---|----------------------|----------------------|
| Assets | | |
| Current and other assets | \$ 2,574,797 | \$ 2,328,846 |
| Restricted assets | 1,196,464 | 1,195,548 |
| Capital assets - net of depreciation | 16,908,814 | 17,220,238 |
| Total assets | <u>20,680,075</u> | <u>20,744,632</u> |
| Liabilities | | |
| Current liabilities | 682,501 | 592,446 |
| Non-current liabilities | 8,361,700 | 8,856,700 |
| Total liabilities | <u>9,044,201</u> | <u>9,449,146</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 8,052,115 | 7,868,538 |
| Reserved for debt retirement | 1,196,464 | 1,195,548 |
| Unrestricted | 2,387,295 | 2,231,400 |
| Total net assets | <u>\$ 11,635,874</u> | <u>\$ 11,295,486</u> |

Changes in Net Assets

The Net Assets in the Enterprise Fund increased by \$340,388.

| | Year ended June 30, 2011 | Year ended June 30, 2010 |
|---|-----------------------------|-----------------------------|
| Revenues | | |
| Operating revenue | \$ 1,436,316 | \$ 1,385,143 |
| Operating expenses | 1,239,674 | 1,139,689 |
| Operating income (loss) | 196,642 | 245,454 |
| Non-operating revenues | 143,746 | 222,800 |
| Net income before capital contributions | 340,388 | 468,254 |
| Capital contributions | - | 141,000 |
| Change in net assets | 340,388 | 609,254 |
| Net assets - beginning | 11,295,486 | 10,686,232 |
| Net assets - ending | <u>\$ 11,635,874</u> | <u>\$ 11,295,486</u> |

WEST HAVEN SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2011

Capital Assets

West Haven Special Service District added \$116,429 in new capital assets during the fiscal year.

Long-Term Debt

The District currently owes \$8,856,700 in sewer revenue bond obligations. The proceeds from the bonds were used to finance the District's construction of plant facilities and improvements to the sewer system. \$495,000 of the debt will be paid in the current year with \$8,361,700 remaining in long-term debt.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of West Haven Special Service District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the District's finances should be addressed to West Haven Special Service District, 4150 South 3900 West, West Haven, Utah 84401.

BASIC FINANCIAL STATEMENTS

WEST HAVEN SPECIAL SERVICE DISTRICT

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

JUNE 30, 2011

| | <u>Business-Type Activities</u> |
|---|-------------------------------------|
| <u>ASSETS</u> | |
| Current assets: | |
| Cash and cash equivalents | \$ 2,397,460 |
| Accounts receivable (net of allowance for uncollectibles) | <u>177,337</u> |
| Total current assets | <u>2,574,797</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 1,196,464 |
| Fixed assets | 20,589,779 |
| Less: Accumulated depreciation | <u>(3,680,965)</u> |
| Total noncurrent assets | <u>18,105,278</u> |
| Total assets | <u>20,680,075</u> |
| <u>LIABILITIES</u> | |
| Current liabilities: | |
| Accounts payable | 41,216 |
| Other payables | 146,285 |
| Revenue bonds - current | <u>495,000</u> |
| Total current liabilities | 682,501 |
| Noncurrent liabilities: | |
| Revenue bonds | <u>8,361,700</u> |
| Total liabilities | <u>9,044,201</u> |
| <u>NET ASSETS</u> | |
| Invested in capital assets, net of related debt | 8,052,115 |
| Reserved for debt retirement | 1,196,464 |
| Unrestricted | <u>2,387,295</u> |
| Total net assets | <u>\$ 11,635,874</u> |

The accompanying notes are an integral part of these statements.

WEST HAVEN SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | Business-Type Activities |
|---|-----------------------------|
| <u>OPERATING REVENUE</u> | |
| Sewer service charges | \$ 1,372,160 |
| Water service charges | 45,233 |
| Inspection fees | 7,700 |
| Miscellaneous charges | 11,223 |
| Total operating revenue | <u>1,436,316</u> |
| <u>OPERATING EXPENSES</u> | |
| Depreciation | 426,752 |
| Sewer treatment costs | 440,625 |
| Collection system - repairs and maintenance | 149,450 |
| Engineering | 62,360 |
| Administrative services | 73,200 |
| Fees - Board of Trustees | 27,660 |
| Utilities | 16,682 |
| Insurance and surety bonds | 10,035 |
| Professional services | 11,226 |
| Miscellaneous | 16,382 |
| Water - source of supply | 4,375 |
| Office supplies and expense | 927 |
| Total operating expenses | <u>1,239,674</u> |
| Operating income (loss) | <u>196,642</u> |
| <u>NONOPERATING REVENUE (EXPENSES)</u> | |
| Impact fees | 106,800 |
| Interest income | 17,178 |
| Contributed revenue | 19,768 |
| Total nonoperating revenue (expenses) | <u>143,746</u> |
| Net income (loss) before contributions | 340,388 |
| Capital contributions | <u>-</u> |
| Change in net assets | 340,388 |
| Net assets - beginning | <u>11,295,486</u> |
| Net assets - ending | <u><u>\$ 11,635,874</u></u> |

The accompanying notes are an integral part of these statements.

WEST HAVEN SPECIAL SERVICE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Business-Type Activities</u> |
|--|--|
| Cash Flows From Operating Activities | |
| Receipts from customers | \$ 1,475,026 |
| Payments to suppliers | (695,207) |
| Payments to trustees | <u>(27,660)</u> |
| Net cash provided (used) by operating activities | <u>752,159</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Contributed revenues | 19,768 |
| Impact fees | 106,800 |
| Principal paid on capital debt | (495,000) |
| Purchases of capital assets | <u>(115,329)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(483,761)</u> |
| Cash Flows From Investing Activities | |
| Interest and dividends received | <u>17,178</u> |
| Net cash provided (used) by investing activities | <u>17,178</u> |
| Net increase (decrease) in cash and cash equivalents | 285,576 |
| Cash and cash equivalents - beginning | <u>3,308,348</u> |
| Cash and cash equivalents - ending | <u><u>\$ 3,593,924</u></u> |

WEST HAVEN SPECIAL SERVICE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Business-Type Activities</u> |
|--|--|
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ 196,642 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 426,752 |
| (Increase) decrease in accounts receivable | 38,710 |
| Increase (decrease) in accounts payable | <u>90,055</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 752,159</u></u> |
| Noncash Capital Financing Activities: | |
| Capital assets of \$0 were acquired through contributions from developers. | |

The accompanying notes are an integral part of these statements.

WEST HAVEN SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Haven Special Service District, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The District has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The West Haven Special Service District was organized as a political subdivision October 18, 1995, by West Haven City. The entity was established to construct, operate, and maintain systems for the collection of sewage and to provide for the treatment and disposition of sewage, and other services as needed. The system operates under a Board of Directors form of government. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the boundaries of the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the primary government.

The District has no component units.

B. Fund Financial Statements

The financial transactions of the District are recorded in an individual fund. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Financial Statements (Continued)

The District reports the following major proprietary fund:

Sewer and Water Fund -

The sewer and water fund is used to account for operations of the sewer system, and a culinary water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The District has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the District does not apply FASB pronouncements issued after November 30, 1989.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the District's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances are combined to form a pool of cash which is managed by the District Treasurer. Utah State Statutes and Utah Money Management Act (UMMA), allow for investments in approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The District Treasurer invests unrestricted and

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Pooled Cash and Temporary Investments (Continued)

restricted cash with local financial institutions. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The District considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Investments

Investments are reported at fair value.

Inventories

No significant inventories are maintained by the District, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with District resolutions and State statutes are classified as restricted assets on the Statement of Net Assets because their use is limited.

Capital Assets

All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed or contributed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | | | |
|--------------|-------------|----------------|-------------|
| Buildings | 30-50 years | Equipment | 5-10 years |
| Improvements | 10-50 years | Infrastructure | 25-50 years |

Long-term Obligations

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the fund financial statements.

E. Revenues and Expenditures

The following are the District's significant policies related to recognition and reporting of certain revenues and expenditures.

Expenditure Recognition

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue. With the adoption of GASB No. 34, amounts that were contributed in prior years and were shown as contributed capital have been reclassified to part of beginning net assets.

G. Compensated Absences

System policy does not provide for any vested or accumulated vacation leave.

H. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The District's deposits are carried at cost.

At June 30, 2011, the carrying amount of the District's deposits was \$369,272 and the bank balance was \$343,941. Of the bank balance, \$250,000 was covered by federal depository insurance.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

| | <u>Carrying Amount</u> | <u>Fair Value</u> |
|---|----------------------------|-----------------------|
| Utah Public Treasurer's Investment fund | \$ 3,224,652 | \$ 3,244,123 |
| C. Summary | | |
| Deposits | \$ 369,272 | |
| Investment in Utah Public Treasurer's Investment Fund | <u>3,224,652</u> | |
| Total deposits and investments | <u>\$ 3,593,924</u> | |
| Equity in pooled cash and investments | \$ 2,397,460 | |
| Restricted cash - debt retirement | <u>1,196,464</u> | |
| Total deposits and investments | <u>\$ 3,593,924</u> | |

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk Disclosure . Deposits and investments for West Haven Special Service District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial credit risk - deposits . Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository* , defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's bank balance at June 30, 2011, was \$343,941, of which \$250,000 was insured under federal depository insurance.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's policy for limiting credit risk for investments is to comply with the Money Management Act. The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated.

Credit risk . Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

Interest rate risk . Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk . Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Act.

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

| | Balance June 30, 2010 | Additions | (Deletions) | Balance June 30, 2011 |
|---------------------------------------|--------------------------|--------------|-------------|--------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Depreciated Assets | | | | |
| Collection system | \$ 19,317,027 | \$ - | \$ (1,101) | \$ 19,315,926 |
| Water system | 866,494 | - | - | 866,494 |
| Furniture and fixtures | 9,323 | - | - | 9,323 |
| Lift station | 228,750 | - | - | 228,750 |
| Machinery and equipment | 52,857 | 116,429 | - | 169,286 |
| Total depreciated assets | 20,474,451 | 116,429 | (1,101) | 20,589,779 |
| Less accumulated depreciation | | | | |
| Collection system | (3,098,407) | (386,317) | - | (3,484,724) |
| Water system | (52,452) | (23,159) | - | (75,611) |
| Furniture and fixtures | (9,323) | - | - | (9,323) |
| Lift station | (61,200) | (4,575) | - | (65,775) |
| Machinery and equipment | (32,831) | (12,701) | - | (45,532) |
| Total accumulated depreciation | (3,254,213) | (426,752) | - | (3,680,965) |
| Net assets depreciated | \$ 17,220,238 | \$ (310,323) | \$ (1,101) | \$ 16,908,814 |
| Depreciation Expense June 30, 2011 | | \$ 426,752 | | |

NOTE 4- LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011, was as follows:

| Description | Interest Rate | Outstanding June 30, 2010 | Additions | Reductions | Outstanding June 30, 2011 | Current Portion |
|--------------------------|------------------|---------------------------------|-----------|------------|---------------------------------|--------------------|
| Series 2000A \$6,536,000 | | | | | | |
| Sewer Revenue Bonds | None | \$ 4,577,000 | \$ - | \$ 327,000 | \$ 4,250,000 | \$ 327,000 |
| Series 2000B \$5,000,000 | | | | | | |
| Sewer Revenue Bonds | None | 4,044,700 | - | 143,000 | 3,901,700 | 143,000 |
| Series 2002 \$880,000 | | | | | | |
| Sewer Revenue Bonds | None | 730,000 | - | 25,000 | 705,000 | 25,000 |
| Total Long Term Debt | | \$ 9,351,700 | \$ - | \$ 495,000 | \$ 8,856,700 | \$ 495,000 |

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 4- LONG-TERM DEBT (CONTINUED)

Sewer Revenue Bonds Series 2000A - On August 21, 2000, the District Directors by resolution entered into an agreement authorizing the issuance and confirming the sale of noninterest-bearing, sewer revenue bonds, Series 2000A, of West Haven Special Service District, Weber County, Utah, in an amount not to exceed \$6,536,000. The purpose of the bonds issued is defraying a portion of the cost of constructing a sewage collection system and related improvements. The District shall make principal payments each year beginning August 1, 2004, and continuing on each August 1 thereafter until the total principal sum has been paid. As of June 30, 2011, \$4,250,000 is outstanding. The annual requirements to amortize debt is as follows:

| <u>June 30,</u> | <u>Principal</u> |
|-----------------|---------------------|
| 2012 | \$ 327,000 |
| 2013 | 327,000 |
| 2014 | 327,000 |
| 2015 | 327,000 |
| 2016 | 327,000 |
| 2017 - 2021 | 1,635,000 |
| 2022 - 2024 | 980,000 |
| | <u>\$ 4,250,000</u> |

Sewer Revenue Bonds Series 2000B - On August 21, 2000, the District Directors by resolution entered into an agreement authorizing the issuance and confirming the sale of noninterest-bearing, sewer revenue bonds, Series 2000B, of West Haven Special Service District, Weber County, Utah, in an amount not to exceed \$5,000,000. The purpose of the bonds issued is defraying a portion of the cost of constructing a sewage collection system and related improvements. The District shall make principal payments each year beginning August 1, 2004, and continuing on each August 1 thereafter until the total principal sum has been paid. As of June 30, 2011, \$3,901,700 is outstanding. The annual requirements to amortize debt is as follows:

| <u>June 30,</u> | <u>Principal</u> |
|-----------------|---------------------|
| 2012 | \$ 143,000 |
| 2013 | 143,000 |
| 2014 | 143,000 |
| 2015 | 143,000 |
| 2016 | 143,000 |
| 2017 - 2021 | 715,000 |
| 2022 - 2026 | 715,000 |
| 2027 - 2031 | 715,000 |
| 2032 - 2036 | 715,000 |
| 2037 - 2039 | 326,700 |
| | <u>\$ 3,901,700</u> |

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 4 - LONG TERM DEBT (CONTINUED)

Sewer Revenue Bonds Series 2002 - On June 17, 2002, the District Directors by resolution entered into an agreement authorizing the issuance and confirming the sale of noninterest-bearing, sewer revenue bonds, Series 2002, of West Haven Special Service District, Weber County, Utah, in an amount not to exceed \$880,000. The purpose of the bonds issued is defraying a portion of the cost of constructing a sewage collection system and related improvements. The District shall make principal and interest payments each year beginning August 1, 2004, and continuing on each August 1 thereafter until the total principal sum has been paid. As of June 30, 2011, \$705,000 is outstanding. The annual requirements to amortize debt is as follows:

| <u>June 30,</u> | <u>Principal</u> |
|-----------------|-------------------|
| 2012 | \$ 25,000 |
| 2013 | 25,000 |
| 2014 | 25,000 |
| 2015 | 25,000 |
| 2016 | 25,000 |
| 2017 - 2021 | 125,000 |
| 2022 - 2026 | 125,000 |
| 2027 - 2031 | 125,000 |
| 2032 - 2036 | 125,000 |
| 2037 - 2039 | 80,000 |
| | <u>\$ 705,000</u> |

NOTE 5 - BOND RESOLUTION COMPLIANCE - SERIES 2000A, 2000B AND 2002 SEWER REVENUE BONDS

- 1) Series 2000A, 2000B and 2002 - Beginning August 10, 2003, and on or before the 10th day of each subsequent month, the District will be required to reserve one-twelfth (1/12) of the annual principal payments due on the sewer revenue bonds. These Bond Accounts will then be used to make annual payments.
- 2) Series 2000A - Beginning August 10, 2003, and on or before the 10th day of each subsequent month, the District will be required to reserve \$4,542 until such time as the aggregate reserve equals \$327,000. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position.
- 3) Series 2000B - Beginning August 10, 2003, and on or before the 10th day of each subsequent month, the District will be required to reserve \$1,986 until such time as the aggregate reserve equals \$143,000. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position.
- 4) Series 2000A and 2000B - Beginning August 10, 2003, and on or before the 10th day of each subsequent month, the District will be required to reserve \$3,264 until such time as the aggregate reserve equals \$235,000. This Emergency Repair and Replacement Account shall be used to make such emergency repairs of, or replacements to the system to ensure its continued operation.
- 5) Series 2002 - Beginning August 10, 2003, and on or before the 10th day of each subsequent month, the District will be required to reserve \$349 until such time as the aggregate reserve equals \$25,143. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position.

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 5 - BOND RESOLUTION COMPLIANCE - SERIES 2000A, 2000B AND 2002 SEWER REVENUE BONDS (CONTINUED)

- 6) Series 2002 - Beginning August 10, 2003, and on or before the 10th day of each subsequent month, the District will be required to reserve \$175 until such time as the aggregate reserve equals \$12,571. This Emergency Repair and Replacement Account shall be used to make such emergency repairs of, or replacements to the system to ensure its continued operation.

NOTE 6 - RETIREMENT BENEFITS

The System does not provide retirement benefits for employees.

NOTE 7 - LEGAL COMPLIANCE BUDGETS

The budget for the year ended June 30, 2011, was approved and adopted on June 21, 2010. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on June 21, 2010.

NOTE 8 - POST EMPLOYMENT BENEFITS

The System does not provide any post-employment benefits.

NOTE 9 - RISK MANAGEMENT

West Haven Special Service District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2011, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10 - RESTRICTED ASSETS

Reserve for Debt Retirement

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond future debt service" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "revenue bond emergency repair and replacement" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

WEST HAVEN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 10 - RESTRICTED ASSETS (CONTINUED)

The Revenue Bond Resolution for Sewer Revenue Bonds Series 2000A requires the following restricted accounts:

| | |
|---|--------------------------|
| Debt service account (Note 5) | \$ 299,750 |
| Debt service reserve account (Note 5) | <u>327,000</u> |
| Total sewer revenue bond Series 2000A reserve | <u><u>\$ 626,750</u></u> |

The Revenue Bond Resolution for Sewer Revenue Bonds Series 2000B requires the following restricted accounts:

| | |
|---|--------------------------|
| Debt service account (Note 5) | \$ 131,083 |
| Debt service reserve account (Note 5) | <u>143,000</u> |
| Total sewer revenue bond Series 2000B reserve | <u><u>\$ 274,083</u></u> |

The Revenue Bond Resolution for Sewer Revenue Bonds Series 2000A, 2000B requires the following combined restricted account:

| | |
|--|--------------------------|
| Emergency repair and replacement account (Note 5) | <u>\$ 235,000</u> |
| Total sewer revenue bond Series 2000A, 2000B reserve | <u><u>\$ 235,000</u></u> |

The Revenue Bond Resolution for Sewer Revenue Bonds Series 2002 requires the following restricted accounts:

| | |
|---|-------------------------|
| Debt service account (Note 5) | \$ 22,917 |
| Debt service reserve account (Note 5) | 25,143 |
| Emergency repair and replacement account (Note 5) | <u>12,571</u> |
| Total sewer revenue bond Series 2002 reserve | <u><u>\$ 60,631</u></u> |

Total restricted assets per revenue bond resolutions

| | |
|---|---------------------------|
| Debt service account (Note 5) | \$ 453,750 |
| Debt service reserve account (Note 5) | 495,143 |
| Emergency repair and replacement account (Note 5) | <u>247,571</u> |
| TOTAL DEBT RETIREMENT RESERVES | <u><u>\$1,196,464</u></u> |

NOTE 11 - COMPONENT UNIT

West Haven Special Service District is a component unit of West Haven City for financial reporting purposes. The Special Service District provides sewer services to residents of the City. The Board of Directors of the Special Service District includes some members of the West Haven City Council. West Haven City bills the District monthly for contracted services and maintenance.

AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
West Haven Special Service District

We have audited the financial statements of the business-type activities of the West Haven Special Service District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered West Haven Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Haven Special Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Haven Special Service District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses, as defined above.

December 16, 2011

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Haven Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates, PC

Ogden, UT

December 16, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
IN ACCORDANCE WITH THE
STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

The Board of Directors
West Haven Special Service District

We have audited West Haven Special Service District's compliance with general compliance requirements described in the *Utah State Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the District are identified as follows:

| | |
|-------------------------|---------------------------------|
| Public Debt | Cash Management |
| Purchasing Requirements | Budgetary Compliance |
| Special Districts | Other General Compliance Issues |
| Impact Fees | Fund Balance Limitations |

The District did not receive any major or nonmajor State grants during the year ended June 30, 2011.

Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, West Haven Special Service District, Utah, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2011.

This report is intended solely for the information and use of management of the District, the Board of Directors, and the Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Wood Richards & Associates, PC

December 16, 2011